



Representative Louise M. Slaughter
Chairwoman, House Committee on Rules
Representing New York's 28th District

P R E S S R E L E A

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Congresswoman Slaughter's Statement on House Emergency Aid to U.S. Auto Industry

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Washington, DC - Congresswoman Louise M. Slaughter (D-NY-28), Chairwoman of the House Rules Committee, today managed the rule on H.R. 7321, the Auto Industry Financing and Restructuring Act, a bill to provide emergency loans to the U.S. auto industry.□ Following are excerpts from the Chairwoman's speech as prepared:

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“Of all the industries that contribute to our economy, the automobile industry is one of the largest and yet it has been hit particularly hard during our recent economic downturn. The U.S. automobile industry is one of the largest sectors of our economy. Auto companies directly or indirectly support over four million American jobs, and provide nearly one million retirees with pensions and health care benefits. In Western New York alone the auto industry supports over 12,000 workers, and 13,000 retirees.

“The failure of major auto companies could cause generations of auto workers to lose their hard earned pensions and health care while causing the current generation of workers to lose their livelihood. Quite simply, America cannot afford to let Detroit fail.

“It is in our country's best interest as we work to pull ourselves out of this recession to ensure that our auto industry remains viable and competitive.

“This bill contains stringent taxpayer protections, including authorizing the government to take equity stakes in the companies through stock warrants so that taxpayers can benefit if the firms profit and the value of their shares increases in the future. It also contains strong independent oversight provisions, with oversight by both the Government Accountability Office and the Inspector General overseeing the TARP financial rescue funds.

“We face some daunting challenges on our path to economic recovery, but this is a necessary step to build a brighter tomorrow. We know all too well the consequences of failure, which is why it is critical that we pass this package to help get U.S. auto manufacturers back on their feet so that they can be competitive and viable in the years ahead.

“Revitalizing American automakers is not only essential to our economic and national security, it is vital to our fragile economy. That is why this Democratic-led Congress is doing everything possible to ensure America keeps working, and that government is working for America.”

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BACKGROUND

One in 10 American jobs is linked to the domestic auto industry, and it is a key pillar in an American manufacturing sector critical to our national security and economic competitiveness for decades to come. The legislation provides up to \$15 billion in short-term bridge loans based on four key principles:

Strict Accountability to the American People

Car Czar - The President designates one or more individuals to hold the car companies accountable for developing and implementing viable long-term restructuring plans and ensure compliance on financing efforts. This so-called Car Czar gets full information access, has veto power over industry expenditures in excess of \$100 million, and allocates the funds on a priority basis to protect the economy.

Taxpayer Protections - The government will get warrants for stock to allow taxpayers to

profit from the companies' recovery. 'Super seniority' for the federal bridge loans puts taxpayers ahead of all other lenders for repayment. In many cases, these tough protections extend to Cerberus, the private equity firm that owns Chrysler.

No Dividends Paid - Over the life of the loans, shareholders will not earn dividends.

Bans on Corporate Excess - The legislation requires:

- no 'golden parachutes,'
- no bonuses for the 25 most highly paid employees at each company, and
- no corporate aircrafts, with requirements to sell or end leases on any existing aircraft.

Strong Independent Oversight - The Government Accountability Office and the Special Inspector General overseeing the TARP financial rescue funds will both have oversight powers.

Shared Sacrifice

Auto executives, employees, labor unions, dealers, suppliers, creditors, and shareholders should all participate in the restructuring efforts.

Restructure or Repay:

To ensure the companies restructure to achieve viability, international competitiveness, fuel efficiency, and reduced emissions:

- The Car Czar can require immediate repayment of the loan if the company has not made adequate progress by February 15th to develop a long-term restructuring plan,
- The company will get no more federal assistance if it fails to submit an acceptable final restructuring plan by March 31st.

A Commitment to Innovation and Efficiency:

Replenishing Innovation/Fuel Efficiency Funds - The legislation calls for maintaining \$500 million of the innovation funding set aside to help the industry retool to build advanced

technology vehicles that greatly improve efficiency and reduce carbon emissions - and replenishing the remainder of the innovation funds within weeks.

Converting to Bus and Rail Car Production - The companies must analyze the potential for converting unused production facilities - especially former sport utility vehicle lines - to the production of buses and rail cars for public transit agencies.

FUEL EFFICIENCY AND EMISSIONS REQUIREMENTS - Restructuring plan will not be approved unless the President's Designee determines that the plan will result in the ability of the Automobile Manufacturer to comply with applicable fuel efficiency and emissions requirements. In addition, the President's Designee may accelerate repayment of a loan or cancel other financial assistance if the Automobile Manufacturer fails to comply with applicable fuel efficiency and emissions requirements after 3/31/09.

Protecting Public Transit - To ease the devastating effects of the credit crisis on public transit, the Car Czar will protect the agencies from technical defaults due to problems at AIG and other institutions.

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